



## FISCAL MEMORANDUM

### HB 2544 - SB 2771

February 28, 2022

**SUMMARY OF BILL AS AMENDED (014197):** Requires a health benefit plan to provide coverage to a patient 35 years-old or older for a baseline low-dose mammography for the presence of breast cancer and a yearly mammogram for women aged 35 to 40 who are at high risk for breast cancer, along with diagnostic imaging and supplemental breast screening.

#### **FISCAL IMPACT OF BILL AS AMENDED:**

**Increase State Expenditures - Exceeds \$87,900/FY22-23 and Subsequent Years**

**Increase Federal Expenditures - Exceeds \$75,800/FY22-23 and Subsequent Years**

**Increase Local Expenditures - Exceeds \$11,900/FY22-23 and Subsequent Years\***

**Other Fiscal Impact –** There could be savings in subsequent years due to improved health outcomes and lower costs of breast cancer treatment as a result of earlier diagnosis. Due to multiple unknown variables, the timing and amount of any such savings cannot be quantified with reasonable certainty.

**Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111):** Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent.

Assumptions for the bill as amended:

- Tennessee Code Annotated § 56-7-2502 currently requires health benefit plans to cover a baseline mammogram for women between the ages of 35 and 40, one mammogram every two years for women ages 40 to 50, and one mammogram every year for women 50 and older.
- According to the National Institute of Cancer, women age 30 have a 0.49 percent risk of being diagnosed with cancer before the age of 40. Further, women the age of 40 have a 1.55 percent risk of being diagnosed with cancer before the age of 50. For purposes of this analysis, it is assumed the number of women between the ages of 35 and 39 who are determined to be of high risk for breast cancer and will receive an annual mammogram

as a result of the proposed legislation will be at least 0.49 percent of the current plan enrollment.

- The Division of TennCare does not currently cover and reimburse for screening mammograms for women under the age of 40.
- TennCare currently covers approximately 66,557 women between the ages of 35 to 39. It is assumed that at least one percent, or 666 ( $66,557 \times 1\%$ ), of these women will get screened annually.
- The average cost of a low-dose mammography for TennCare is \$104. Therefore, there would be an increase in expenditures of \$69,264 ( $666 \times \$104$ ) in FY22-23 and subsequent years.
- It is estimated that at least 10 percent of these screened individuals will need follow-up diagnostics and procedures, which costs an average of \$638.20. This would lead to an increase in expenditures of \$42,504 [ $(666 \times 10\%) \times \$638.20$ ] in FY22-23 and subsequent years.
- The total increase in expenditures for TennCare is expected to exceed \$111,768 ( $\$69,264 + \$42,504$ ) in FY22-23 and subsequent years.
- Medicaid expenditures receive matching funds at a rate of 66.165 percent federal funds to 33.835 percent state funds. Of this amount \$37,816 ( $\$111,768 \times 33.835\%$ ) will be in state funds and \$73,951 ( $\$111,768 \times 66.165\%$ ) will be in federal funds for FY22-23 and subsequent years
- Benefits Administration's (BA) state group insurance plan (SGIP) does not currently cover and reimburse for screening mammograms for women under the age of 40.
- SGIP currently covers approximately 15,862 women between the ages of 35 to 39.
- It is assumed that at least one percent, or 159 ( $15,862 \times 1\%$ ), of these women will get screened annually.
- The average allowed cost for a mammogram under SGIP is \$173.09. Therefore, there would be an increase in expenditures exceeding \$27,521 ( $159 \times \$173.09$ ) in FY22-23 and subsequent years.
- It is estimated that at least 10 percent of screened individuals, or 16 ( $159 \times 10\%$ ) will need a follow-up service, half receiving an ultrasound and the other half receiving an MRI. The average allowed cost under SGIP for an ultrasound is \$137.98, which will lead to an increase in expenditures exceeding \$1,104 [ $(16 \times 50\%) \times \$137.98$ ] in FY22-23 subsequent years. The average allowed cost under SGIP for an MRI is \$466.44, which will lead to an increase in expenditures exceeding \$3,732 [ $(16 \times 50\%) \times \$466.44$ ] in FY22-23 and subsequent years.
- The total increase in expenditures for individuals covered under SGIP in FY22-23 and subsequent years is \$32,357 ( $\$27,521 + \$1,104 + \$3,732$ ). The amount will be paid with \$18,667 in state funds, \$1,799 in federal funds, and \$11,891 in local government funds.
- The proposed legislation will be considered benefit coverage mandates to the essential health benefits (EHB) of the qualified health plans (QHPs) offered on and off the Marketplace Exchange.
- The state will be required to defray the cost of benefits because they exceed those provided under Tennessee's EHB benchmark plan.
- According to information previously provided by the Department of Commerce and Insurance from QHPs, the projected increase in price per member per month to cover the proposed legislation is estimated to be \$0.01. There are approximately 261,681

individuals covered under QHPs, so this would lead to an increase in recurring state expenditures required to defray the cost of \$31,402 ( $\$0.01 \times 261,681 \times 12$  months).

- The total increase in state expenditures as a result of the proposed legislation will exceed \$87,885 ( $\$37,816 + \$18,667 + \$31,402$ ) in FY22-23 and subsequent years.
- The total increase in federal expenditures as a result of the proposed legislation will exceed \$75,750 ( $\$73,951 + \$1,799$ ) in FY22-23 and subsequent years.
- The total mandatory increase in local expenditures as a result of the proposed legislation will exceed \$11,891 in FY22-23 and subsequent years.
- The proposed legislation could result in decreased state, federal, and local expenditures associated with lower costs of treatment of breast cancer due to earlier diagnosis of such condition. It is reasonably assumed that earlier diagnosis would result in earlier treatment and increased costs in earlier years. However, such increased costs will be offset by better health outcomes and greater decreases in expenditures in subsequent years for breast cancer treatment that would have been incurred in the absence of this legislation. Due to multiple unknown variables, the timing and extent of any such net decreases cannot be quantified with reasonable certainty.
- Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): Such legislation will result in an increase in the cost of health insurance premiums for procedures and treatments being provided by plans that do not currently offer these benefits at the proposed mandated levels. It is estimated that the increase to each individual's total premium will be less than one percent.

## **IMPACT TO COMMERCE OF BILL AS AMENDED:**

**Increase Business Revenue – \$175,500/FY22-23 and Subsequent Years**

**Increase Business Expenditures –**

**Less than \$175,500/FY22-23 and Subsequent Years**

**Other Commerce Impact - There could be a decrease in business revenue and expenditures in subsequent years due to improved health outcomes and lower costs of breast cancer treatment as a result of earlier diagnosis. Due to multiple unknown variables, the timing and amount of any such impacts cannot be quantified with reasonable certainty.**

Assumptions for the bill as amended:

- Healthcare providers will experience an increase in business revenue of \$175,526 ( $\$87,885 + \$75,750 + \$11,891$ ) in FY22-23 and subsequent years for providing additional services.
- The increase in business expenditures is estimated to be less than those amounts for companies to retain solvency.

- The additional effects upon private insurance carriers and healthcare providers will be dependent upon various unknown factors subject to the rates and contractual agreements comprising each individual policy of healthcare.

\*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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